THE ECONOMISTS ADJOURN

CONCLUDING SESSION WAS HELD YESTERDAY AFTERNOON.

Officers for the Ensuing Year Elected—Several Excellent Papers Read—Report of the Committee on Currency Reform in the United States, Contained Some Very Important Matter.

The most important part of the meeting of the American Economic association yesterday morning was the report of the special committee appointed to consider the subject of "Currency Reform" in the United States. It was read by Prof. Taussig of Harvard university, and will be found in full below. The report was discussed by several of those present.

Prof. John B. Clark of Columbia university read an able paper on the topic "Dynamic Standards of Wages and Interest." The following is a very brief extract: Society is always tending to take a certain static shape, much as the sea, however it may be disturbed by waves and currents, is tending toward a condition in which the surface of it would be level and the water motionless. If society were ever to reach its static condition, the market price of every commodity would equal the cost of producing it; and the cost itself would be at a certain minimum. Moreover, the cost of all parts of the supply of a particular article would be uniform, and there would be no net profit realized from producing any part of the supply. Dynamic influences prevent society from ever reaching such a state. These influences create net profits for employers; but these gains are held by a precarious tenure. Competition wrests them from employers' hands and diffuses them among laborers and capitalists.

The result of this is that the standard of wages rises, and that the actual rate pursues it though lagging behind it in the upward movement. Every improvement that is made in methods of production brings new wealth into existence. It creates a standard of pay for labor that is higher than were former standards. The actual rate of pay moves upward toward the new standard; but before it can reach it, a further improvement creates another and a still higher normal rate, and the actual wages of labor move toward this. For the good of the working classes the upward movement should be as rapid as is possible; and this requires that the actual rate of pay should always be, by an interval, behind the upward moving standard. Employers' profits depend on this interval, and the improvements that ensure an increase in wages are secured by the prospect of profits. To stop all legitimate profits would make actual wages conform to the static standard, but it would cause the standard itself to become nearly stationary.

"A Fundamental Error of the Classical Economists" was the subject of a paper by Prof. Charles A. Tuttle of Wabash college. After hearing this paper the association adjourned until 3 o'clock, when Dr. W. F. Willoughby of the United States department of labor read an instructive paper on "The Present Study of Practical Labor Problems in France."

He reviewed the methods pursued by the various organizations in France, which direct their efforts toward the betterment and assistance of the laboring classes. Dr. Willoughby highly commended these societies because of the progress which they have made in this direction.

Charles E. Curtis, vice president of the City bank of this city, read a paper on "Municipal Taxation as a Means of Public Control of Corporations." Mr. Curtis prefaced his paper by saying that the subject was too broad to be correctly treated in a short paper, and that he would in consequence confine himself to the taxation of street railway systems. He said that local conditions determine to a great extent the manner in which the taxes were assessed on street railway property. He cited states in which the legislatures determine the manner in which the tax should be laid and upon what property; others in which the individual cities themselves had full charge of the matter. In some cities, Philadelphia, for instance, the street railways are compelled to pay for the paving of the entire width of the street on which their tracks are laid, and in others the companies must pay for a certain width, and in still others for a space outside of the tracks.

Municipal ownership has not been attempted to any great extent in this country, and where it has it has not been very successful. The manifest policy of most managers is one of conciliation and liberal treatment of the public. In many cities the matter of taxation is left to the city councils. This is especially so in the western cities, and the granting of franchises is regarded with more or less importance. The influence of rural population on the matter is very great here in Connecticut. The street railways are treated the same as the steam railways as regards the levying of taxes, in that they are all paid to the state.

Unless this is done it might be necessary to resuscitate the old town tax in order to pay the expenses of the state. The plan of taxing stocks and bonds of the companies is open to criticism. It is difficult to ascertain the exact value of the same in order to levy the taxes, and is consequently a very poor basis upon which to determine the proper rate. There are also bridge taxes, taxes for the privilege of running cars, also upon the several cars run—that is, so much a year for each car. The great objection to the latter is that it is detrimental to the public. The company will not run any more cars than are absolutely necessary and the service is in consequence very much impaired.

There are also property taxes which are assessed upon tangible property, such as power house, barns, polls, rails, wires, etc. Under the new city charter of San Francisco, after twenty-five years the street railway property is to become the absolute property of the municipality. This is the most radical move yet.

The tax on gross earnings of a company is growing in favor and has been adopted in many cities. As a true measure of the taxable value it is more nearly reasonable. A tax on net earnings would be well nigh futile, for a bookkeeper can scale the same up or down almost at will, but the gross earnings stand for their full amount. They are the true index of the value of the railway and also of the increase of the value of the franchise. An investor sees something tangible in the gross earnings and always inquires concerning them. Increased dividends can come by increased gross earnings, and the companies strain every nerve to increase them.

Taxes on excess dividends and increase of capital were also discussed. Mr. Curtis showed by comparison of figures how street railway earnings in this country greatly exceeded those in foreign.

A paper on "The Nature of Municipal Franchises" by Dr. Max West of the United States department of agriculture concluded the session of the association.

The following were elected officers of the American Economic association for the ensuing year:

President—Professor Arthur T. Hadley of Yale.

Vice presidents—Stuart Wood, Ph. D., of Philadelphia, Professor David Kinley of the University of Illinois and Professor W. Z. Ripley of the Massachusetts Institute of Technology.

Secretary—Professor Walter F. Willcox of Cornell university.

Treasurer—Professor Charles H. Hull of Cornell university.

Publication committee—Professor F. W. Taussig of Harvard university, chairman; Davis R. Dewey, Ph. D., Willard C. Fisher, A. B., W. H. Scott, Ph. D., Sidney Sherwood, Ph. D., and F. M. Taylor, Ph. D.

These nominations were unanimously ratified by the convention.

The report of the committee on currency reform in the United States was as follows:

To the American Economic Association:

Your committee to which was assigned for consideration the subject of Currency Reform in the United States, beg leave to report that they have agreed upon a series of statements with respect to the need, the objects and the methods of such reform, which it is believed would command the assent of economists generally. They are submitted, with the recommendation that they be printed as part of the proceedings, but with the express disavowal of any responsibility on the part of the association for the views therein set forth.

I. THE NEED OF REFORM.

Despite the fact that much improvement has taken place within two or three years, there still exists a real need for monetary and banking reform in the United States. The standard of value upon which the whole system rests is by no means as secure as it should be. The circulating note system is still greatly lacking in elasticity. Adequate banking facilities for newer, or more backward, districts are still wanting. In the system as a whole, there is a notable lack of unity and organization.

In citing the first particular, i. e., the insecurity of the monetary standard, as a proof that currency reform is needed, your committee do not mean to imply that the existing standard is the only possible one, or even the most desirable one. It is merely assumed that, so long as that standard is retained, it should have the utmost possible security; since the unquestioned security of the monetary standard is indispensable to a high degree of industrial prosperity.

It is possible, however, to argue that the defect in question no longer exists, —that the stability of the gold standard is now substantially assured. There is unquestionably much force in this contention. Besides a number of temporary circumstances, such as a full treasury, a large gold reserve and a favorable trade balance of exceptional amount, several changes of a more permanent character have contributed to the improvement of the situation. We cite particularly the repeal of the provision in the act of 1890 to issue treasury notes in purchase of silver, and the insertion in the war revenue bill of a clause which authorizes the secretary of the treasury to make loans at his own discretion to meet temporary deficits. In fact, under the laws now in force, a secretary who desires to maintain the gold standard need have no difficulty in doing so. But, in the absence of an explicit legislative mandate with respect to the duties of the secretary in this matter, it is possible for an executive so disposed to overthrow the gold standard, even though no change be made in the law. There thus remains in the situation an element of uncertainty which is needless, and which cannot but prove harmful.

As respects the need for elasticity in the note system, next to nothing has been gained. In the first place, we still retain for our bank circulation the system of bond security, and under that system it is in the nature of the case extremely difficult, if not impossible, to secure in the currency that prompt and easy adjustment of volume to need which constitutes genuine elasticity. In defence of this statement much might be said, but it may suffice to call attention to a single consideration. If bank circulation is to be elastic, the assets which are required as a security for that circulation must be such as a bank ordinarily has in its possession; since, in a stringency when expansion is needed, the bank already has its resources locked up, and consequently can not without great difficulty get hold of new assets. But government bonds are not a kind of assets which banks will, or usually ought to, have on hand in considerable amounts. The special office of banks is to provide funds for the everyday business of the country, i. e., to invest their resources, not in a supply of bonds to furnish the basis of a possible issue of notes, but in commercial paper, grain bills and the like. As a result of all this, the amount of notes which, under our system, most banks issue is that amount which can be kept in circulation substantially all of the time. Fluctuations in the need for such notes there is almost no attempt to meet.

In the second place, we have not attained in our circulation even that degree of elasticity of which a bond secured system is capable. At the outset, we disregard the fundamental principle that, in order to be elastic, a circulation should be profitable. That this is a fundamental principle needs little proof. The necessity of profitableness to secure expansion is self-evident. In securing contraction, on the other hand, profitableness, if less necessary, is not less effective; for, in making each banker anxious to expand his own circulation, it leads him promptly to send home the issues of his neighbors in order to make room for his own. Thus, from the single fact that the circulation is fairly profitable, are derived two opposing forces which work respectively for the expansion and for the contraction of the currency as a whole. Further, the relative strength of these opposing forces is largely determined, as it should be, by the needs of business. If more notes are wanted in the ordinary circulation, they will be swifter in going out, and since they will not naturally get into the hands of bankers, slower in being sent home to the issuer. If, on the other hand, fewer notes are needed, they will be slower in going out and more prompt in coming back; since, when idle, they will naturally accumulate in the banks, and by them will be sent home. It is thus evident that a reasonable degree of profitableness is a most important requisite of an elastic currency. Now it is a commonplace that our bank circulation is not a profitable one. Most banks deposit bonds to the least amount permitted by law, and do not always issue even the quantity of circulation corresponding thereto. It is true that conditions have in this respect measurably improved, the lower price at which bonds are now available having rendered the conditions of issue somewhat more profitable, but it is practically certain that this process has not been carried sufficiently far to furnish the necessary conditions for an elastic currency.

But again, even an increase in profitableness can not avail unless the machinery of issue and redemption is efficient. The forces which work respectively for expansion and contraction must have easy and unimpeded action. At this point our present law is not only inadequate, it is positively evil. It limits the amount of circulation which may be retired during any one month, and prohibits reissue for six months after retirement, thus actually putting a premium on inelasticity. Further, the machinery if issue and redemption is unnecessarily slow and clumsy. Even if a bank decides to expand its circulation, the process can scarcely be completed till the special need has passed. In like manner, contraction can not usually be brought about till long after a plethora has worked much harm.

The foregoing describes the experience of ordinary times; for the case of the monetary panic, when there arises a demand for an immediate and very great increase in the stock of current moneys, absolutely nothing has been done. We thus have every reason to expect that, should another crisis as serious as that of 1893 overtake the nation, we should experience a monetary famine of equal severity, and should again be obliged to resort to numerous extemporized devices very doubtful as to their legality and still more doubtful as to their efficiency.

What has been said concerning the continued lack of security and elasticity applies in substance to every other recognized need of the monetary system. Almost no progress has been made. It thus becomes evident that the only method by which we can insure that, when less favorable conditions arise, there shall be no recurrence of the disasters formerly experienced, is to bring about some more or less fundamental changes in the monetary system itself.

II. THE SECURITY OF THE STANDARD.

Under existing conditions, the only wise and consistent policy for the United States is the frank recognition of the fact that the actual monetary standard is now, and for some time to come will be, gold, and the adoption of legislation which shall insure the entire stability of that standard, until such time as the nation may have decided to establish some other. Assent to this statement does not commit any one to the position that the gold standard is, abstractly considered, the most desirable one. As is well known, a large number of economists hold to the opposite opinion. But, as is also well known, the particular substitute which such economists favor, i. e., international bimetallism, is at present, and for a long time will be, out of the question. In consequence, the precise form which the question of standards now takes in the United States, is as to whether the currency shall rest on a gold basis, or on a silver or paper basis. Thus stated, it can have, to the majority of economists, but one solution. Under existing conditions, the gold standard is, for the United States, the best available. This being the case, it is the duty of the nation to render that standard as stable as possible and to remove all uncertainty as to its maintenance and easy working; for uncertainty as to the basis of the currency must always be a menace to prosperity.

With respect to the means through which increased stability for the standard shall be insured, it is hardly to be doubted that much would be gained by its explicit definition in terms of gold. Still more important would be the enacting of such legislation as shall insure that the task of maintaining the standard, or, in other words, of maintaining the convertibility into gold of other forms of currency, shall be efficiently performed. At this point, your committee find themselves in accord with the commonly received opinion that, under normal conditions, the task in question can most advantageously be devolved upon some institution or institutions of a banking nature. We are also agreed, though perhaps less positively, that, even under the conditions which must prevail in the United States, this same solution of the problem is, on the whole, best. If, however, this plan shall prove impracticable—if the task of maintaining the standard of value is still to rest upon the treasury,—everything calculated to make that task an easier one should be done, and the department should be specially organized with reference to the duty thus devolving upon it, and provided with such additional powers as are necessary to insure its fitness for the work in hand. Among the various changes which would tend to the accomplishment of these objects, your committee believe the most important to be some modification of the existing system whereby the duties of the treasury as respects the management of the monetary system of the country shall be separated from those functions which are of a purely fiscal nature. It would doubtless be well, also, to find a place for silver where it will cause least trouble, by retiring all notes under ten dollars, and to authorize the secretary to retire, at least, temporarily, notes which have been once redeemed.

III. THE BANKING SYSTEM.

A. Elasticity.

Whatever decision may be reached with reference to the much disputed question as to whether United States legal tender notes shall continue to hold their place as part of the paper currency of the country, it is certain that the maintenance of some system of bank issues will be indispensable. This system should, without doubt, be under federal control and should take such form as to insure much greater elasticity than exists in the present system, provided always that the security of the issue shall be in no wise impaired.

As respects the method to be employed for attaining this needed increase in elasticity, it is believed that the really successful one must involve issuing some portion of the circulation upon ordinary banking assets. The chief reason for this, as already indicated, is that such ordinary banking assets are the only ones which are universally and readily available when expansion is needed. The superiority of such a system is further insured by the fact that there is a very close correspondence between the amount of such assets in the possession of the banks and the need of the community for currency; since these assets, like the need for money, vary in amount with the volume of business. As respects the security of such notes, there need be no anxiety, provided the system is supplemented with the device of a safety fund, or with one or ore of the various other expedients which have been proposed. If it be urged that nothing can make this system really safe, at least for the banks considered as guarantors of each other's notes, so long as the securities on which those notes are based remain in the custody of the issuing bank, the objection might be met by enacting that notes of this character shall be issued only through Clearing House associations whih are to hold in trust the commercial paper or other collateral by which the notes are secured, just as they now do in the case of loan certificates, and as the treasury of the United tates does in the case of national bank notes.

It may, however, prove impossible to secure legislation of the character described. In such an event the existing system of notes based on United States bonds should be so amended as to give to it as large a measure of elasticity as is possible. The provisions of the law of 1882 which limit the amount of notes that may be retirted in any month, and prohibits reissue within six months after retirement, should be repealed. To secure in some degree that increase in profitableness which, as we saw earlier, is indispensable to elasticity, it would be well to raise the ratio of notes to bonds deposited and to lower the tax, or better still to leave it on capital and surplus. In order still further to enlist the self-interest of the banks, especially on behalf of the prompt retirement of redundant notes, we should be inclined to prohibit any bank from paying out the notes of any other banks except to the issuer or to the redemption agency. As respects making easier the processes of expansion and contraction, some gain would probably result from requiring the comptroller to keep on hand a supply of notes in blank, and still more from an increase in the facilities for redemption.

B. COUNTRY BANKING.

As already remarked, there is a real need for increased banking and currency facilities in the newer or more backward parts of the country, and legislation could do something towards satisfying this need. In the judgment of your committee, the most effective as well as the safest expedient for accomplishing this object is some system of branch banking similar to those in vogue in Canada, Scotland, and other countries. Under such a system, banking facilities can be furnished to communities too small to support even the smallest independent bank of issue; and capital can be most cheaply and easily transferred from districts oversupplied to those needing it; while, at the same time, the dangers of fraud or mismanagement incident to all banking are far less serious than under a system of small independent banks. There are doubtless objections to the plan; but the experience of other countries has shown that they are not of great moment.

If, however, the apparent tendency towards excessive concentration of capital shall prove too strong an objection to this system, other alternatives offer themselves. A decision to permit the issue of any portion of the circulation upon general assets would greatly increase the banking facilities of the country districts; since the chief obstacle at the present time to the establishment of national banks of issue in such districts is to be found in the circumstance that they could not afford to invest their capital in assets so unproductive as United States bonds. Another remedy for the difficulty in question would be the exemption from the federal ten per cent. tax on circulation of such date banks as should comply with the regulations of federal law and submit to federal supervision. This change would, without doubt, greatly increase banking facilities, while, at the same time, it would probably prove quite safe. Again, a lowering of the minimum capital for a national bank from the present figure to twenty or twenty-five thousand dollars would be better than nothing, and would probably work no evil effect of any moment.

CONCLUSION.

In conclusion, your committee cannot refrain from expressing the conviction that it will be a genuine misfortune if the very notable movement toward monetary reform which has filled so large a place in the history of the last few years, shall pass away without having left any results in legislation. Never bfore have there existed among all classes so great an interest in this subject, so near an approach to unanimity of opinion, and so strong a purpose to see something accomplished. To this very promising attitude of the public mind, are added external conditions of an extremely favorable character. We allude to the exceptionally large stock of gold both in the treasury and in the country at large, to the unprecedented trade balance, to the generally solid condition of business, to the absence of any necessity for that haste which always makes legislation in a crisis dangerous. A conjuncture in so many respects favorable, we can scarcely hope to meet again in the near future. Its utilization would, therefore, seem to be commended by every consideration of prudence and good judgment.

Without doubt, there are still considerable obstacles in the way of reform. It is easy, however, to exaggerate the seriousness of those obstacles. Your committee wish particularly to remark this in respect to the much-noted divergencies of opinion among friends of reform. The not uncommon opinion that these divergencies are so serious as to render hopeless the prospects of reform, we consider quite unwarranted. As a matter of fact, barring differences due to the circumstance of some being more, others less, radical, the various projects of reform have a surprising similarity. Doubtless there are differences of method so fundamental that the choice of one plan involves the rejection of its rivals; but cases of this sort are comparatively few. An analysis of a large number of plans of reform disclose the fact that, of the various expedients proposed in them for accomplishing the several objects sought, a large proportion appear in nearly every one of the plans.

In the light of these facts, your committee are of the opinion that what is most needed at this juncture, is a disposition on the part of the friends of reform to sink individual preferences as to details, and to insist that congress shall enact such legislation as it shall be possible to agree upon. Undoubtedly, there is room in this matter of currency reform, for honest differences of opinion, but such a degree of persistence in one's opinion as makes a working compromise impossible has no justification in monetary principles or in the conditions prevailing in the United States. It is safe to say that, of the five or six currency bills that, during the last twelve months, have been in any serious sense before the country, the passage of any one would have resulted in great improvement and would have measureably satisfied the demands of reformers.

F. M. Taylor, University of Michigan.
F. W. Taussig, Harvard University.
J. W. Jenks, Cornell University.
Sidney Sherwood, Johns Hopkins University.
David Kinley, University of Illinois.

OF LOCAL INTEREST.

Mr. and Mrs. Charles E. Hooghkirk of 312 Orchard street will celebrate their fiftieth wedding anniversary at their home on January 2. They were married at New York on New Year's day in 1848. Mr. Hooghkirk, who for years has kept a harness shop on Orange street, is the oldest living past master of Hiram lodge. He has taken every degree but one in Masonry and is one of the most prominent Masons in New Haven. The celebration of his golden wedding anniversary will be perfectly informal. Mr. and Mrs. Hooghkirk will receive all their friends on Monday night from 8 until 12, who may care to call on them. No invitations will be issued.

Redmond, Kerr & Co. of New York offer to investors at 108 and interest $4,000,000 of terminal and improvement mortgage 4 per cent. bonds of the New York, Lackawanna and Western Railway company, principal and interest guaranteed by endorsement on each bond by the Delaware, Lackawanna and Western Railroad company. The total issue is $5,000,000 and the bonds are secured by a mortgage upon the terminal of the company in Buffalo and upon the main line from Binghamton to Buffalo. The bonds have only twenty-five years to run. The company is earning a large surplus over all its charges and dividends upon its stock. Subscriptions will be received on January 3 and the bonds will be ready for delivery on January 5. Subscriptions will be received in New Haven by The Chas. W. Scranton Co.

ENTERTAINMENTS.

Hyperion Theater.

"WHEN LONDON SLEEPS."

"When London Sleeps" will occupy the stage of the Hyperion theater to-night and to-morrow night at popular prices. The reputation of this play has preceded it and there is already a lively interest manifested in the coming. It was one of last season's big money makers. James H. Wallick, under whose direction it is staged, has engaged the strongest cast possible to procure, and it will be presented here with the same superb scenery which electrified the patrons of the Fourteenth street theater, New York. Sale of seats now open. Prices 15c, 25c, 35c and 50c.

"SHENANDOAH."

In Jacob Litt's great revival of "Shenandoah" the company carries fifty horses and as many cavalrymen (troopers), and it requires two big baggage cars to transport the scenery and properties. The brass 12-pounder used in the lobby of the theater represents an outlay of $1,000, and this is but one of the many expenses of this production. Chicago was unanimous in its opinion that this was the most magnificent stage war spectacle ever seen there, and not since the days of the World's fair has any play equalled the business that it did at McVicker's theater. "Shenandoah" comes to the Hyperion as the New Year's attraction on Monday and Tuesday evenings, with a special New Year's matinee Monday at 2:30 p. m., with one of the best and strongest companies ever seen in the play. The cast will be headed by Maurice Barrymore and Mary Hampton. Sale of seats is now open. Prices 50c, 75c and $1.

"RED, WHITE AND BLUE."

The stage mechanism employed in the terrific battle scene which finished the climax of the "Red, White and Blue," a timely patriotic play which will be presented at the Hyperion Thursday, January 5, is described as ingenious in device and thrillingly realistic in effect. It enlists the services of 150 supernumeraries.

"RIP VAN WINKLE."

The appearance of the Jefferson Comedy company at the Hyperion on Friday evening, January 6, will be one of the events of the season and introduces here Thomas Jefferson as "Rip" in that delightful play, "Rip Van Winkle," assisted by Joseph Jefferson, jr., William Jefferson, Charles B. Jefferson and Miss Edna Carey, and a strong company.

HYPERION MATINEES NOW AT 2:30 P. M.

The curtain will be rung up at 2:30 p. m. at the matinee performances at the Hyperion.

Poli's Wonderland Theater.

"Holly Tree Inn" is a gem of dramatic art with a clean story of child love that is prettily told by a company of five people, the stars being Katie McArdle and Beatrice Morrison. In the olio are the Anglo-American quartet, Post and Clinton, the Imperial Four, Harry Howard, tenor balladist; the Morello troupe and their clown dogs, Forrest and Floyd, and Maddox and Beach. Next week a fine feature bill will be presented, with a special double show on Monday, beginning at 11 a. m. and playing continuously until 11 p. m. Prices 10c and 20c; ladies in the afternoon, 10c.

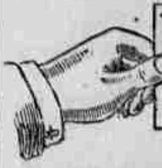
The Grand.

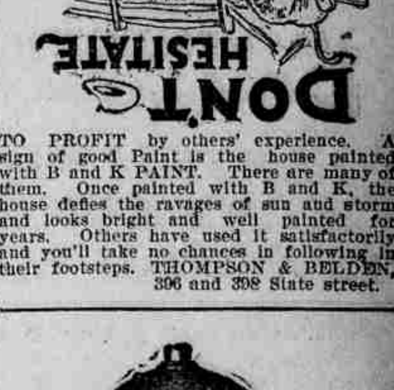
Karina, the Parisian chanteuse, with Rose Sydell's London Belle burlesque troupe, made a hit at the Grand yesterday afternoon in her act in the olio. The performance given by the Belles is one of the cleanest and best yet given by a burlesque company in this city. Prices 10c, 20c, 30c and 50c. Daily matinees.

"THE STOWAWAY."

"The Stowaway," that popular melodrama, is to be presented next Monday, Tuesday and Wednesday. The play, which is to have an extended tour, is made famous by the celebrated Kid McCoy and "Spike" Hennessey. It is rumored in the vicinity of Mulberry street that the three years' absence of McCoy and Hennessey is partly accounted for by the fact that they spent the larger portion of that perior as guests of a German institution for the supression of kleptomaniacs at Hamburg. At the Grand Monday, Tuesday and Wednesday.

Miscellaneous.





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